

Budget Brief – Utah Education Network

NUMBER UEN-01

SUMMARY

The Utah Education Network (UEN), a partnership of Utah's public and higher education institutions, delivers distance learning educational services statewide. It operates public television station KUEN-9; provides closed circuit two-way video services; and connects state computer networks to each other and the Internet. Its mission is to "provide the citizens of Utah access to the highest quality, most effective instructional experiences, administrative support services, library services, student services, and teacher resources regardless of location or time."

BASE BUDGET ISSUES

Network Infrastructure

In the past years, UEN's top priority has been increasing network capacity and reliability for middle and high schools in Utah. It has leveraged state appropriations with the federal E-Rate program at a ratio of nearly two federal dollars for each state dollar. With these proceeds, UEN enters into long-term contracts with local telecommunications providers to provide a high-bandwidth network backbone connecting schools, universities, and state government to each other as well as to the Internet.

The Legislature has provided a total of \$6.7 million for this initiative to date. Of that amount, \$2.1 million is ongoing and included in UEN's FY 2008 base budget. Legislators appropriated \$1.5 million one-time and \$1.3 million ongoing for this purpose during the 2006 General Session. A schedule of appropriations for network infrastructure is shown below.

	FY 2004	FY 2005	FY 2006	FY 2007
Ongoing	400,000	400,000	800,000	2,100,000
One-time		400,000	1,500,000	1,500,000
	<u>\$400,000</u>	<u>\$800,000</u>	<u>\$2,300,000</u>	<u>\$3,600,000</u>

Table 1

As the telecommunications contracts noted above are ongoing commitments, UEN typically waits until it receives an ongoing appropriation before exercising its options for additional bandwidth. Once UEN receives ongoing funding, it may take as long as eight months to implement some of the network projects. As such, UEN has not yet spent the \$1.5 million one-time appropriation it received for FY 2007.

Should the Legislature make this \$1.5 million appropriation ongoing in FY 2008, it may be able to reclaim or reallocate some of the \$1.5 million one-time appropriation available to UEN since July 1, 2006.

Figure 1: Utah Education Network - Budget History

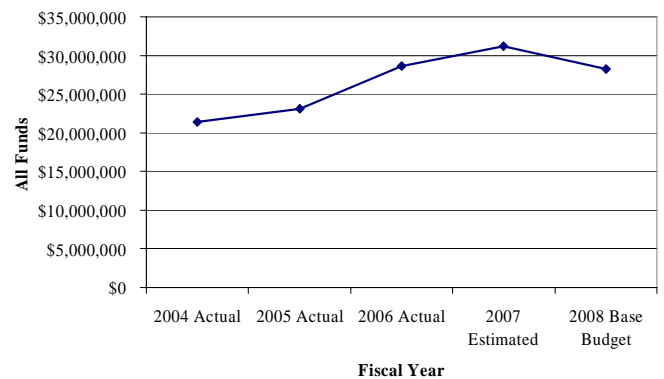


Figure 2: Utah Education Network - FTE History

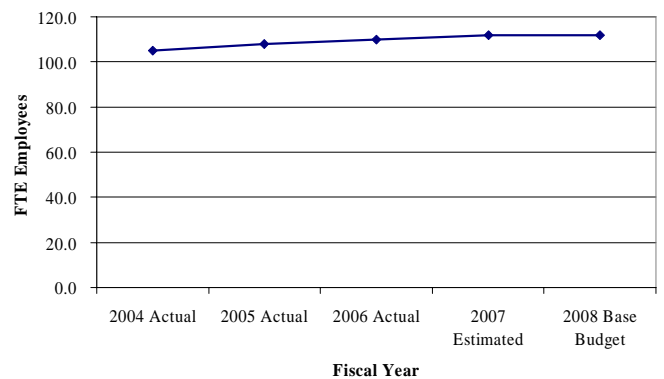
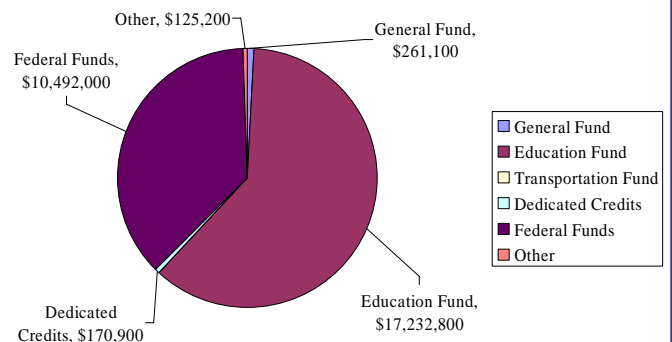


Figure 3: Utah Education Network - FY 2008 Funding Mix



Internet Based Video Conferencing

UEN is currently converting its analog videoconferencing system to digital internet protocol (IP) based technology. The conversion allows users more scheduling flexibility through regional bridges, increases UEN's overall videoconferencing capacity by eliminating bottlenecks, and leverages data circuits that support video as well as other types of data.

The Legislature has provided a total of \$2,040,000 for this initiative over the past three years. It appropriated \$1 million one-time for IP video conversion during the 2006 General Session. None of this funding has been ongoing and therefore none is included in UEN's FY 2008 base budget. A schedule of historical appropriations for IP video conversion is shown in table 2.

Funding provided for FY 2007 will upgrade almost fifty sites. By the end of FY 2007, 60 percent of classrooms will be converted to IP video.

	FY 2005	FY 2006	FY 2007
Ongoing			
One-time	240,000	800,000	1,000,000
	<u>\$240,000</u>	<u>\$800,000</u>	<u>\$1,000,000</u>

Table 2

UEN Line Item Consolidation

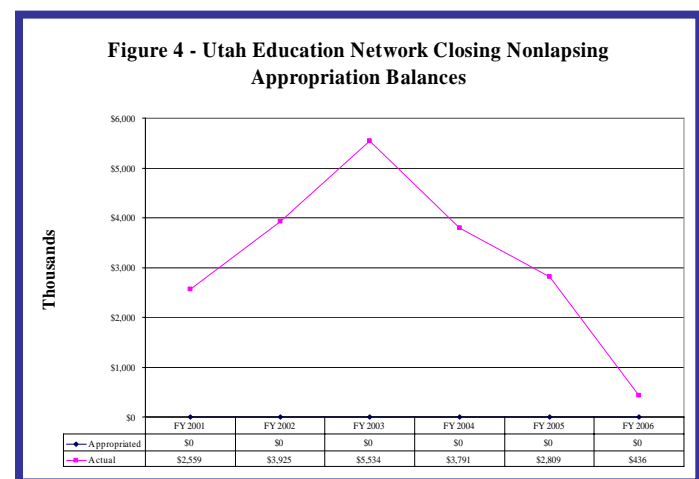
In addition to terrestrial IP video, UEN uses satellite circuits to connect remote locations to the UEN distance education network. In fact, many IP video rooms are in facilities that also host UEN Satellite receive sites. The satellite sites are limited in that they support only one-way video – with telephones providing two-way audio. Satellite rooms must be centrally scheduled, and they do not support interactive data transmission. The Legislature currently provides nearly \$1.5 million for the UEN satellite system in a separate line item. Nearly half of this pays for satellite circuits alone.

The satellite technology currently used by UEN is obsolete, and satellite service providers are requiring UEN to upgrade its hardware. At the same time, IP video offers increased flexibility and capacity, as discussed above. UEN and its stakeholders have agreed upon a plan to transition away from satellite and onto IP video. To accommodate such a plan, the Legislature may consider consolidating some or all of the UEN satellite line item into the UEN main line item.

Nonlapsing Balances

During the 2005 Interim, the Executive Appropriations Committee directed the Office of the Legislative Fiscal Analyst to review agency nonlapsing balances for each agency having or requesting nonlapsing authority. Specifically, the Committee asked the LFA to show what has been the history of an agency's nonlapsing balances. It also asked the Analyst to investigate how well an agency forecast balances in its budget request.

Figure 4 answers EAC's questions. It shows that, while UEN's balances grew from FY 2001 to FY 2003, UEN has drawn down its balances over the past three years. UEN has not historically estimated future nonlapsing balances in its budget request.



UEN's Effort on Behalf of Public Education

As shown in Figure 3, all of UEN's state funding comes from the General and Education Funds. Appropriations from these funds are subject to the Appropriations Limit. During the 2006 Interim, UEN evaluated its levels of effort and found that about 80% of its spending serves Public Education. Applying this proportion to UEN's base budget and funding it from the Uniform School Fund would yield around \$12 million in additional room under the spending cap. In FY 2001, prior to a sharp decline in income tax revenue, 85% of UEN's budget came from the Uniform School Fund.

Accountability

For FY 2007, UEN is tracking three performance measures and associated targets:

- Network Reliability
- Headcount in Higher Education Technology Delivered Instruction
- Visitors to UEN's Top Twenty-Five Web Sites.

These measures are intended to reflect UEN's progress in achieving three goals: providing a robust and accessible network (measure 1), making instruction available through distance education (measure 2), and providing useful content to students and teachers (measure 3).

Figures five through seven, to the right, document UEN's performance toward achieving those goals. The Legislature and its staff recognize that these measures are not directly related to funding levels, but agree that they are useful measures for use in public policy decision making.

UEN and the Analyst have agreed to continue using these measures for fiscal year 2008.

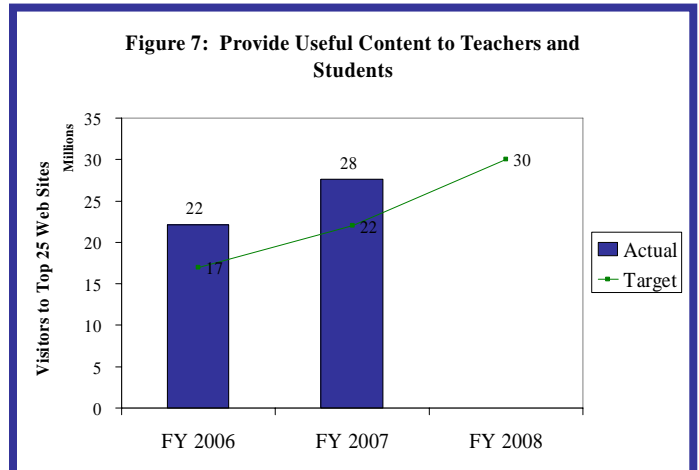
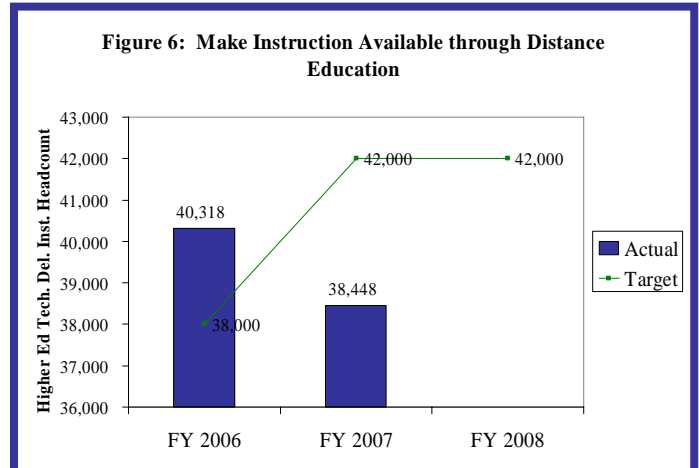
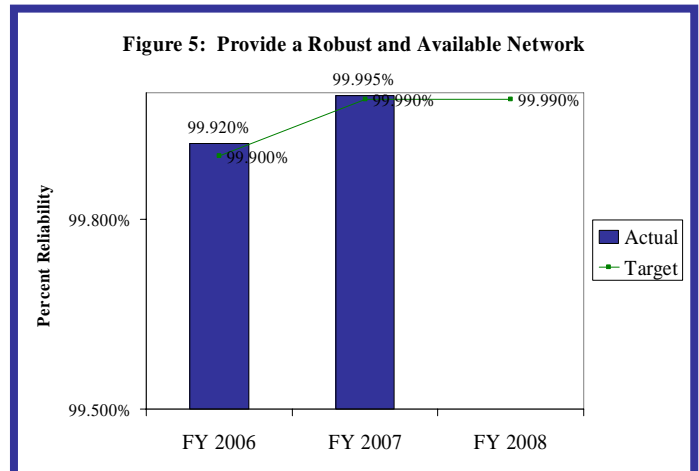
BUDGET DETAIL

As shown in Figure 1, page 1, UEN's budget has grown at an average of 14% per year for the past three years. The state fund portion of that budget has increased by a little more than 10% per year. UEN's FY 2008 base budget appears to fall by around 10% in FY 2008 due to the elimination of one-time appropriations. Table two shows that UEN's Full-time Equivalent employment has increased by about 2% per year for the past three years.

For details on UEN's budget see page 125 of the Higher Education Subcommittee's Compendium of Budget Information for the 2007 General Session.

Budget Recommendation

As shown in the following Budget Detail Table, the Analyst recommends \$28,282,000 for UEN in fiscal year 2008. Contrary to the table, the Analyst recommends that \$12,824,000 of UEN's total base budget come from the Uniform School Fund rather than the General and/or Education Fund, and that the UEN main line-item be consolidated with the UEN Satellite Services line item.



LEGISLATIVE ACTION

Should the subcommittee choose to adopt the Analyst's base budget recommendations as contained in this brief, the following serves as a summary of actions that could be taken by the subcommittee:

1. Approve the base budget for UEN - \$28,282,000 for FY 2008 as shown below.
2. Recommend that, of the above amount, \$12,824,000 shall come from the Uniform School Fund.
3. Recommend that the base budget for UEN Satellite Services be consolidated with the UEN main line item.

The Subcommittee may wish to create a priorities list for building block items, to be discussed separately.

BUDGET DETAIL TABLE

Utah Education Network						
	FY 2006	FY 2007		FY 2007		FY 2008*
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Base Budget
General Fund	15,257,600	261,100	0	261,100	0	261,100
General Fund, One-time	0	0	0	0	0	0
Education Fund	629,100	17,232,800	0	17,232,800	0	17,232,800
Education Fund, One-time	2,300,000	2,500,000	0	2,500,000	(2,500,000)	0
Federal Funds	7,635,100	9,311,300	1,180,700	10,492,000	0	10,492,000
Dedicated Credits Revenue	725,900	79,000	91,900	170,900	0	170,900
Transfers	125,200	122,800	2,400	125,200	0	125,200
Other Financing Sources	63,400	0	0	0	0	0
Beginning Nonlapsing	2,406,400	25,100	490,700	515,800	(435,800)	80,000
Closing Nonlapsing	(515,800)	(25,100)	(54,900)	(80,000)	0	(80,000)
Total	\$28,626,900	\$29,507,000	\$1,710,800	\$31,217,800	(\$2,935,800)	\$28,282,000
Line Items						
Utah Education Network	27,252,900	28,043,100	1,710,800	29,753,900	(2,935,800)	26,818,100
UEN Satellite System	1,374,000	1,463,900	0	1,463,900	0	1,463,900
Total	\$28,626,900	\$29,507,000	\$1,710,800	\$31,217,800	(\$2,935,800)	\$28,282,000
Categories of Expenditure						
Personal Services	7,726,300	7,927,600	367,400	8,295,000	0	8,295,000
In-State Travel	168,700	174,000	(6,000)	168,000	0	168,000
Out of State Travel	320,800	305,300	68,600	373,900	0	373,900
Current Expense	1,820,400	5,374,600	(3,570,300)	1,804,300	(218,300)	1,586,000
DP Current Expense	12,537,200	12,581,800	3,548,200	16,130,000	(1,772,500)	14,357,500
DP Capital Outlay	5,945,100	3,057,400	1,204,300	4,261,700	(945,000)	3,316,700
Capital Outlay	108,400	86,300	98,600	184,900	0	184,900
Total	\$28,626,900	\$29,507,000	\$1,710,800	\$31,217,800	(\$2,935,800)	\$28,282,000
Other Data						
Budgeted FTE	110.0	107.0	5.0	112.0	0.0	112.0
Vehicles	10	9	1	10	0	10

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.